

**REPORT TO THE CITY COUNCIL
BY THE CITY INTERNAL AUDITOR**

**REVIEW OF THE
SHREVEPORT POLICE DEPARTMENT (SPD)
ADMINISTRATION DIVISION
LAUNDRY CLEANING CONTRACT**

INTERNAL AUDIT REPORT (IAR) 650003-06

SEPTEMBER 30, 2003



September 30, 2003

Councilman Monty Walford
Chairman, Shreveport City Council

Dear Councilman Walford:

Subject: IAR 650003-06 - Review of the Shreveport Police Department (SPD), Administration
Division - Laundry Cleaning Contract

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Graham, CPA, CIA
City Internal Auditor

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**EXECUTIVE SUMMARY
REVIEW OF THE
SHREVEPORT POLICE DEPARTMENT (SPD)
ADMINISTRATION DIVISION
LAUNDRY CLEANING CONTRACT
INTERNAL AUDIT REPORT (IAR) 650003-06**

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire audit report.

INTRODUCTION

Pursuant to a service agreement, laundry/dry cleaning service for police uniforms is provided to members of the SPD. Each assigned officer is authorized a \$20 monthly allocation to have his/her uniforms cleaned at the City's expense. In addition, a small number of Neighborhood Assistance Team (NAT) members is also included in the allowance. Individuals are held personally liable to the contractor for any services charged at the City's expense in excess of the stated amount. Not all officers assigned participate in the service offered.

Our work resulted from an allegation received on the *Fraud Hotline* citing improprieties included in monthly invoices submitted by the contractor for services rendered.

OVERVIEW OF SIGNIFICANT ISSUES

The Internal Audit Office commends Police Administration management and employees for their time, insight, cooperation, and assistance during the audit. Based on the results of our audit, we have identified the following significant issues.

Review of pertinent documents and discussions with operating personnel indicated that, generally, the allegation was inaccurate. However, we did note weaknesses that require management's attention, as follows:

- Several paid invoices included charges allegedly incurred by a police officer who was away on military deployment.
- Many of the invoices reviewed contained charges incurred by administrative personnel not specifically authorized to receive laundry cleaning services.
- Employees were not signing cleaning tickets after reviewing and verifying cleaning charges.
- No formal administrative policies and procedures had been developed and adopted to ensure overall compliance with the terms of the service offered.

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**REVIEW OF THE
SHREVEPORT POLICE DEPARTMENT
ADMINISTRATION DIVISION
LAUNDRY CLEANING CONTRACT
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OBJECTIVE

We have completed a review of payment transactions completed by the SPD to an existing laundry cleaning contract. Our objective was to determine the propriety of employees using the service and integrity of charges included in related invoices.

SCOPE AND METHODOLOGY

Fieldwork was performed in accordance with applicable generally accepted governmental auditing standards as defined in Operating Instruction A.55 of the Internal Audit Office Operating Instructions Manual. Our review was limited to evaluating the general controls surrounding the specific issue addressed. We reviewed pertinent documents comprising the period of December 2001 through April 2003 and held discussions with operating personnel, as necessary, consistent with our objective.

BACKGROUND

Pursuant to a service agreement, laundry/dry cleaning service for police uniforms is provided to members of the SPD. Each assigned officer is authorized a \$20 monthly allocation to have his/her uniforms cleaned at the City's expense. In addition, a small number of Neighborhood Assistance Team (NAT) members is also included in the allowance. Individuals are held personally liable to the contractor for any services charged at the City's expense in excess of the stated amount. Not all officers assigned participate in the service offered.

Our work resulted from an allegation received on the *Fraud Hotline* citing improprieties included in monthly invoices submitted by the contractor for services rendered.

We wish to express our appreciation to SPD personnel for their assistance during the course of our fieldwork.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

Review of pertinent documents and discussions with operating personnel indicated that, generally, the allegation was inaccurate. However, we noted the following weaknesses which require management's attention:

- Several paid invoices included charges allegedly incurred by a police officer who was away on military deployment.
- Many of the invoices reviewed contained charges incurred by administrative personnel not specifically authorized to receive laundry cleaning services.
- Employees were not signing cleaning tickets after reviewing and verifying cleaning charges.

- No formal administrative policies and procedures had been developed and adopted to ensure overall compliance with the terms of the service offered.

1. Charges for an Officer on Military Deployment

Criteria: Data contained in invoices received from service providers requires careful review to ensure that charges are proper and correctly stated before payment is authorized.

Condition: Review of invoices paid during the period from December 2001 through April 2003 showed four instances where the contractor included charges in the name of an officer who was away on military deployment.

Effect:

- Exposure to fraud, waste, and abuse.
- Improper expenditure of public funds.
- Potential for fraudulent acts.
- Rising operational costs.

Cause: Inadequate review of invoices received.

Recommendation: The SPD Chief should take appropriate action to ensure that invoices received are adequately examined to determine if stated charges for employees are factual and accurate prior to their approval for payment.

Management Plan of Action: We agree with this finding in regards to charges being made in the name of an officer who was on military deployment. Our Human Resources Bureau has been asked to notify Property Management any time a police employee is activated or returns to work from military deployment. The Lieutenant in charge of the Property Management Unit will keep a current list with which to compare to the invoice received from the dry cleaners.

We will include this in our new policy regarding dry cleaning services for police personnel.

Timetable: Memo to Support Division Commander attached (to management response and not included in final report) New Policy target date - October 15, 2003

2. Charges Incurred by Unauthorized Employees

Criteria: The applicable service contract specifies that the service is intended for the cleaning/laundrying of uniforms and clothing worn by officers, detectives, and other plain clothes personnel. Cleaning, however, is provided for approved civilian clothing at the civilian's expense.

Additionally, the contract specifies that the contractor will be provided a list of employees authorized to receive cleaning services.

Condition: Our review of paid invoices indicated that charges for cleaning services incurred by administrative (civilian) personnel were included in payments made to the contractor during the period of January 2002 through August 2002. These employees were not authorized to receive the \$20 allotment paid for dry cleaning for employees of the SPD.

Also, we could find no evidence that the City had provided the contractor with a list of employees authorized to receive cleaning services.

Effect:

- Exposure to fraud, waste, and abuse.
- Showing of favoritism for certain employees.
- Unnecessary expenditure of public funds.

Cause: Deviation from established policy.

Recommendation: The SPD Chief should ensure that charges are paid only for those employees authorized under the contract.

Additionally, SPD personnel should ensure that a list is provided to the contractor which identifies employees authorized to participate in the service.

Management Plan of Action: We agree with this finding. Prior to this audit, the Lieutenant in charge of the Property Room reviewed the monthly invoice and was supposed to deduct any charges made to the Police Department for personnel who were not authorized to use the dry cleaning allotment. The previous Lieutenant has since retired and we do not know if the contractor at that time was provided with a list of employees authorized to receive the allotment. The current dry cleaning vendor was provided with a list of authorized personnel prior to the commencement of the contract. This step will also be included in the new policy for dry cleaning services.

Timetable: New dry cleaning policy - October 15, 2003

3. Unsigned Tickets

Criteria: Contract terms state that, *“...contractor agrees to submit to the City of Shreveport, Police Department, no later than the tenth (10th) day of each month all tickets and invoices reflecting services provided during the preceding month to the Shreveport Police Department. Such tickets and invoices must be arranged by the employee’s name and must individually be signed by the employee who is receiving the services.”* Data contained in invoices received for payment is usually expected to accurately state, among other information, the employee’s name and specific services rendered.

Condition: Our review indicated that, in most cases, tickets were not being signed by the employee receiving the services. Consequently, we could not determine if all charges were properly verified and authorized by the employee receiving the services. For example, we noted that two officers alleged that invoices were paid during the period of December 2001 through April 2003, which included improper charges for them. One officer claimed that he was wrongfully charged for the cleaning of garments not owned while another claimed to have never used the services offered.

Effect:

- Exposure to fraud, waste, and abuse.
- Increased operational costs.
- Deviation from established contractual terms.

Cause: Improper validation of stated charges.

Recommendation: The SPD Chief should take the necessary action to ensure proper examination of charges included in invoices received for payment. Officers should sign tickets authorizing and verifying services received, in accordance with contract terms. If tickets are altered or revised, officers should also initial any changes indicated on tickets.

Management Plan of Action: We agree with this finding. With the previous vendor, the clerk assigned to patrol verified all delivered clothing and signed the ticket for each item. However, this did not conform with the provisions of each officer signing for receipt of their clothing which was delivered to the police department. There are only two methods of complying with this requirement. The first method is to secure all delivered dry cleaning and have each officer personally verify that the items were those belonging to the officer and sign the ticket. With the police department being a twenty-four hour a day, seven day a week operation, one person would have to be available at all times to release cleaning and secure the necessary signatures. The police department does not have the personnel to assign to this function.

The second method is to discontinue the delivery of dry cleaning to the police department. The current vendor has six locations in Shreveport and two in Bossier City. Officers can drop off and pick up their cleaning at these locations. The dry cleaner's requires each customer to verify service at the time of pick up.

The most cost efficient method of resolving this issue is to discontinue the delivery of dry cleaning to the Police Department. It will take approximately 30 days to notify all of our personnel and the vendor to avoid any additional problems.

Timetable: October 15, 2003

4. Lack of Written Guidelines

Criteria: Written guidelines provide adequate assurance that assigned employees may reasonably be made aware of and expected to comply with management's policies and procedures.

Condition: We found no evidence that specific policies and procedures were communicated to SPD officers regarding the availability, use, and limitations of the laundry/dry cleaning service offered to them.

- Exposure to fraud, waste, and abuse.
- Inappropriate expenses.
- Deviation from intended budgetary goals and objectives.

Cause: Lack of administrative foresight.

Recommendation: The SPD Chief should take the necessary action to ensure that appropriate written guidelines are developed and adopted regarding proper use of the laundry/dry cleaning service available to assigned officers. Such guidelines should emphasize the need for maintaining the service's integrity and specify, as a minimum, constraints on its eligibility,

availability, and use. Adopted guidelines should be adequately communicated to all officers utilizing the service.

Management Plan of Action: We agree with this recommendation. A new policy will be developed to address the proper use of dry cleaning services available to police personnel.

Timetable: October 15, 2003

Prepared by:

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Approved by:

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BL:jm

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CAO
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Clerk of Council
External Auditor
Director of Finance
Risk Manager
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